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## Puerto Rico power utility board quits, leaving leadership void

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CHICAGO/NEW YORK (Reuters) - Five of the seven board members of the bankrupt Puerto Rico Electric Power Authority - including its CEO, named one day ago - resigned on Thursday, leaving the utility with no leadership amid a massive restructuring effort following the devastation wrought by Hurricane Maria.

FILE PHOTO: A man walks past the headquarters of the Puerto Rico Electric Power Authority (PREPA) in San Juan, Puerto Rico January 23, 2018. REUTERS/Alvin Baez

The resignations came a day after PREPA named board member Rafael Diaz-Granados chief executive effective July 15. But Puerto Rico Governor Ricardo Rossello on Thursday blasted the board for agreeing to pay Diaz-Granados \$750,000 for the year, telling them they should lower the salary or resign, citing the poor condition of the utility.

That figure surpasses the \$450,000 base pay - not including possible bonuses that would raise his salary to \$900,000 - given to CEO Walter Higgins, who resigned this week after just four months on the job.

“The salary granted by the governing board of the Puerto Rico Electric Power Authority to the new executive director is not proportional to the financial condition of PREPA, to the financial situation of the government, or to the feeling of the people who are making sacrifices to raise Puerto Rico,” the governor said.

PREPA has now been through four CEOs since Hurricane Maria devastated the island last September, knocking out power to more than 1.5 million homes and businesses as it cut across the island as a powerful Category 4 hurricane.

The hurricane laid bare the already poor condition of the island’s power grid, exposing years of inadequate maintenance and rate collection. The resignations come at a time when several thousand homes and businesses still lack power, and as PREPA is well shy of the fundamental improvements needed to withstand another hurricane.

But in a letter to Rossello, the resigning board members said they did not believe they have support to undertake “politically unpopular tasks” needed to change PREPA from within.

PREPA Chair Ernesto Sgroi, one of those who resigned, said the board struggled to find candidates to run PREPA independently and was fortunate when Diaz-Granados agreed to take the position.

“It will be difficult to carry that company without a strong board and strong CEO - to effectively run that company separate from government influence - that is the main factor in trying to transform PREPA,” Sgroi told Reuters.

He added that the resignations will allow the governor to “choose board members that are more in tone with his agenda.”

Late on Thursday Rossello did just that by appointing two new board members while rejecting allegations of political interference. He named Eli Diaz, the president of the Puerto Rico Aqueduct and Sewer Authority, and electrical engineer Ralph Kreil to PREPA’s board of governors.

PREPA, which has more than \$14 billion in liabilities and is going through a privatization process, has largely patched together its system. An exodus of residents since the hurricane has left an older population on an impoverished island. But residents have long been worried that the grid is not stable enough to withstand another storm. The current hurricane season continues through November.

The U.S. Army Corps said this week it would remove three generators, which provide backup at Puerto Rico’s power plants, as soon as next week. The Corps had previously agreed to leave them in place until PREPA agreed to buy them.

In their letter, the board members said that “political forces in Puerto Rico have provided a definitive statement that they want to continue to control PREPA.”

“When the petty political interests of politicians are put ahead of the needs of the people, the process of transforming the Puerto Rican electricity sector is put at risk,” they wrote.

The letter was signed by PREPA Chair Sgroi, Vice Chair Edwin Irizarry, and independent board members Erroll Davis, Nisha Desai and Diaz-Granados, who was tapped to replace Higgins. Higgins resigned on Wednesday, effective July 14. The resignations leave Maria Palou and Christian Sobrino on the board.

Palou, an employee of the executive branch in Puerto Rico, had agreed late on Wednesday to resign from the board and cede her seat to Higgins. Neither Palou nor Higgins could be reached for comment.

The U.S. commonwealth is in federal court trying to restructure roughly \$70 billion of debt.

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